

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 7165**

**BILL NUMBER:** HB 1759

**DATE PREPARED:** Jan 11, 1999

**BILL AMENDED:**

**SUBJECT:** Tobacco settlement funds.

**FISCAL ANALYST:** Bernadette Bartlett

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**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill appropriates from the tobacco lawsuit settlement \$20 million for the next 25 years to the Department of Agriculture to make grants to develop new farm commodities in tobacco producing counties or to subsidize tobacco farmers for losses due to reduced tobacco production.

**Effective Date:** July 1, 1999.

**Explanation of State Expenditures:** Indiana is the 30th of 46 eligible states to sign on to a \$206 billion settlement agreement between tobacco companies and the states. Indiana's share of the settlement is estimated to be \$4 billion.

The settlement requires tobacco companies to make payments to the states for the next 25 years. Indiana's first payment is expected to total \$50 million and is to be made 30 days after the agreement is signed. The state is to receive payments from \$48.9 million to \$171.1 million each April, beginning in the year 2000 and ending in 2025. In addition, states like Indiana which had already begun litigation with the tobacco companies may receive a portion of an additional \$8.6 billion.

If Indiana receives \$50 million during the first year, the \$20 million set aside for the proposed grant program will leave a remainder of \$30 million from the settlement payment. In subsequent years, the \$20 million set-aside will leave a remainder of from \$28.9 million to \$151.1 million (\$48.9 million minus \$20 million to \$171.1 million minus \$20 million).

If the Office of the Commissioner of Agriculture were charged with issuing grants to qualifying entities, the Office would need a PAT II to implement the program. Personnel and other administrative expenses, estimated at less than \$50,000 per year, could be paid for from the appropriation.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** The grants may be made to counties in which tobacco is grown or issued directly to farmers. The amount of revenue that will be received by counties will depend upon the number and nature of grants awarded. The grants must be used to develop new farm commodities or subsidize tobacco farmers for losses due to reduced tobacco production. (Information on tobacco-producing counties was not readily available, but will be provided if it becomes available.)

**State Agencies Affected:** Office of the Commissioner of Agriculture.

**Local Agencies Affected:** Counties in which tobacco is grown.

**Information Sources:** Joe Pearson, Assistant Commissioner of Agriculture, Office of the Commissioner of Agriculture (317) 232-8774; J.D. Lux, Office of the Attorney General, 233-8438.